

Message Text

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PAGE 01 BAGHDA 00649 121038Z

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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 SCEM-02 INT-08 DRC-01 EA-11 /242 W

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R 080815Z DEC 73

FM USINT BAGHDAD

TO SECSTATE WASHDC 672

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

USINT CAIRO

C O N F I D E N T I A L BAGHDAD 649

KUWAIT PASS GULF POSTS

E.O. 11652: GDS

TAGS: ENRG, IZ

SUBJECT: IRAQI OIL POLICY

1. SEMI-OFFICIAL BAGHDAD OBSERVER OF DECEMBER 7 PUBLISHED

EXCELLENT SUMMARY OF IRAQI RATIONALE FOR REFUSAL TO GO

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PAGE 02 BAGHDA 00649 121038Z

ALONG WITH OAPEC MEASURES.

2. ARTICLE CLAIMS REDUCTION OF OUTPUT HAS HURT EUROPE AND JAPAN MORE THAN U.S., AND AMERICAN ECONOMY WILL BENEFIT IN COMPETITION WITH THEM. IT DOES NOT ACCEPT ARGUMENT THAT WESTERN EUROPE CAN EXERT EFFECTIVE PRESSURE ON U.S.

3. RISE IN PRICES. SINCE 80 PERCENT OF ARAB OIL IS PRODUCED UNDER CONCESSION SYSTEM AND AMERICAN COMPANIES CONTROL 65 PERCENT OF CONCESSIONS, PRICE INCREASE BENEFITS AMERICAN COMPANIES MORE THAN ANYONE.

4. DESTINATION EMBARGO WILL NOT RESULT IN STRANGULATION OF AMERICAN ECONOMY SINCE U.S. OBTAINS MOST OF NEEDED IMPORTS FROM NON-ARABS.

5. ARTICLE CONCLUDES THAT ONLY WAY FOR ARABS TO HIT BASIC AMERICAN INTERESTS, WHICH ARE HUGE PROFITS OF OIL COMPANIES AND STRATEGIC ADVANTAGE OF CONTROLLING COMPANIES, IS TO NATIONALIZE AMERICAN COMPANIES AS IRAQ HAS DONE.

6. COMMENT: MORE CONVINCING REASON FOR IRAQI POLICY IS THAT IT IN MIDST OF MASSIVE EXPANSION PROGRAM AND NEEDS ALL THE REVENUE IT CAN GET. PRODUCTION NOW ESTIMATED AT ABOUT 2 MILLION B/D AND CANNOT RISE MUCH MORE UNTIL NEW TERMINAL AND OTHER FACILITIES ARE COMPLETED. (PARADOXICALLY, U.S. NON-OIL COMPANIES PLAYING PROMINENT ROLE IN EXPANSION.) DUE TO PRICE INCREASES MIL EARNINGS HAVE ALREADY REACHED AN ESTIMATED ANNUAL AVERAGE RATE OF OVER 2 BILLION DOLLARS, IRAQ'S TARGET FOR 1975.

7. IF IRAQ'S ARGUMENTS, THAT U.S. ECONOMY GAINING GROUND IN RELATION TO THOSE OF JAPAN AND EUROPE AND AMERICAN OIL COMPANIES PROFITING FROM ANTI-U.S. MEASURES, TURN OUT TO BE TRUE, IRAQ'S POSITION ON NECESSITY OF NATIONALIZATION MAY SOON BE LISTENED TO WITH GREATER INTEREST BY OTHER ARABS. LOWRIE

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